

KINGMAN AIRPORT AUTHORITY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

**KINGMAN AIRPORT AUTHORITY, INC.
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YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kingman Airport Authority
Kingman, Arizona

We have audited the accompanying financial statements of the business-type activities of the Kingman Airport Authority, Inc. (Authority) as of and for the year ended June 30, 2009, which collectively comprise the Kingman Airport Authority, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kingman Airport Authority, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kingman Airport Authority, Inc., as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 - 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
February 17, 2010



**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

We (the Kingman Airport Authority, Inc. (Authority)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2009. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Kingman Airport Authority, Inc. exceeded its liabilities at the close of the most recent fiscal year by \$19,264,160 (net assets). Total net assets include \$16,821,961 in capital assets net of related debt and \$2,442,199 in unrestricted assets.
- ◆ The Kingman Airport Authority, Inc.'s operations produced an operating loss of \$1,854,441 for the fiscal year. Although much of this loss can be attributable to non-cash depreciation expense on assets that were contributed by the federal government or acquired with the aid of grants, the Authority still relies on revenue from the building space and hangars that are continually leased to other parties.
- ◆ During the year total net assets decreased by \$1,508,746. This decrease was mainly due to lower land sales during 2008-09.
- ◆ Lease revenues increased by 16% (\$61,283) to \$446,802.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves to introduce the Authority's basic financial statements. The Authority's basic financial statements have two components: 1) fund financial statements, and 2) notes to the basic financial statements. Separate government-wide financial statements are not presented since the Authority has only one fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Kingman Airport Authority, Inc., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all of the Authority's activities are business-type activities and are accounted for in a single proprietary fund.

Proprietary Funds

The Kingman Airport Authority, Inc. maintains its accounting records in a single enterprise fund. An *Enterprise fund* is a type of proprietary fund used to report *business-type activities*.

The basic proprietary fund financial statements can be found on pages 7 - 9 of this report

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

The *statement of net assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in fund net assets* presents information on how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Notes to Basic Financial Statements

The notes to basic financial statements (pages 10 - 18) provide additional information that is essential to a full understanding of the data provided in the fund financial statements and should be read with the financial statements.

FINANCIAL ANALYSIS

Net assets may serve as useful indicators of a government's financial position. At the end of the fiscal year, the Kingman Airport Authority, Inc.'s assets exceeded liabilities by \$19,264,160.

Airports are capital-intensive enterprises. Approximately 87% of the Authority's net assets are invested in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these assets to provide aviation access and services to the flying public and the surrounding community; consequently, these assets are not available for future spending. Although, the Authority's investment in capital assets is reported net of related debt, the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table A-1
Net Assets**

	2009	2008	% Change
Current and Other Assets	\$ 2,522,789	\$ 3,875,691	(34.9) %
Capital Assets, Net of Accumulated Depreciation	17,277,588	17,441,158	(0.9)
Total Assets	19,800,377	21,316,849	
Long-Term Liabilities	389,202	200,925	93.7
Other Liabilities	147,015	343,018	(57.1)
Total Liabilities	536,217	543,943	
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,821,961	17,062,138	(1.4)
Unrestricted	2,442,199	3,710,768	(34.2)
Total Net Assets	\$ 19,264,160	\$ 20,772,906	(7.3)

Net assets decreased by \$1,508,746, or 7% from the previous fiscal year-end. This was primarily due to lower land sales during the fiscal year.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

Business-Type Activities

All of the Authority's activities are classified as business-type activities. At the end of the current fiscal year, the Kingman Airport Authority, Inc. is able to report a positive balance in its net assets.

**Table A-2
Changes in Net Assets**

	2009	2008	% Change
REVENUES			
Leases	\$ 446,802	\$ 385,519	15.9 %
Capital Grants and Contributions	110,889	1,497,475	(92.6)
Other	400,466	1,936,880	(79.3)
Total Revenues	<u>958,157</u>	<u>3,819,874</u>	(74.9)
EXPENSES			
Depreciation	1,126,250	979,374	15.0
Other Operating Expenses	1,317,244	1,562,577	(15.7)
Non-operating Expenses	23,409	23,238	0.7
Total Expenses	<u>2,466,903</u>	<u>2,565,189</u>	(3.8)
CHANGE IN NET ASSETS	(1,508,746)	1,254,685	(220.2)
Net Assets - Beginning of Year	20,772,906	19,518,221	6.4
NET ASSETS - END OF YEAR	<u>\$ 19,264,160</u>	<u>\$ 20,772,906</u>	(7.3)

Lease revenues increased by \$61,283 due to increased occupancy and rental rates.

Capital grants and contributions decreased by \$1,386,586 mainly due to the decreased funding from the Federal Aviation Administration and Arizona Department of Transportation for the Authority's capital improvements.

Other revenues decreased by \$1,536,414 primarily as a result of the decrease in land sales.

The Authority's expenses decreased by 4%. This decrease was not significant.

BUDGETARY HIGHLIGHTS

The Authority prepares a budget annually which is submitted to the Board of Directors for approval during the spring of each year. The budget is used as a management tool; it is not a legally binding document. The budget and annual comparisons of actual to budget is prepared on the budgetary basis of accounting. There were no significant changes to the budget during the year. Although the budget is not legally adopted, it is an important management tool used throughout the fiscal year. See page 20 for a presentation of the budget to actual comparison for the fiscal year.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Kingman Airport Authority, Inc.'s capital assets as of June 30, 2009 amount to \$17,277,588 (net of accumulated depreciation), a net decrease of 2%. The capital assets include runways and taxiways; buildings; improvements; machinery and equipment. A large majority of these assets were contributed to the airport directly or were purchased with the aid of federal and state grants.

Major capital asset events during the current fiscal year included the following:

- ◆ Sewer lines.
- ◆ Silva and Windrose improvements.
- ◆ Aircraft hangars.

The following table provides a breakdown of the capital assets of the Kingman Airport Authority, Inc. at June 30, 2009 and 2008.

**Table A-3
Capital Assets
(Net of Accumulated Depreciation)**

	Business-Type Activities	
	2009	2008
Land Improvements	\$ 12,737,303	\$ 13,124,085
Building and Improvements	3,602,304	3,632,012
Furniture, Machinery, and Equipment	503,780	561,379
Construction in Progress	434,201	265,753
Total Capital Assets	<u>\$ 17,277,588</u>	<u>\$ 17,583,229</u>

Long-Term Obligations

At the end of the current fiscal year, the Kingman Airport Authority, Inc. had total long-term obligations outstanding of \$455,627. The Authority's debt consists of two separate bank notes with payments made monthly. The Authority reduced its debt by \$65,464 by making regularly scheduled principal and interest payments.

The following schedule shows the outstanding obligations of the Kingman Airport Authority, Inc. (both current and long-term) as of June 30, 2009 and 2008. Further detail on the Kingman Airport Authority, Inc.'s outstanding obligations may be found in Note 3.C. on pages 15 and 16.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

**Table A-4
Outstanding Obligations**

	<u>2009</u>	<u>2008</u>
Notes Payable	<u>\$ 455,627</u>	<u>\$ 521,091</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The general economy in Kingman is flat, as the community is experiencing very little construction and few new home sales. Job layoffs are being experienced throughout the community and consumer confidence is reserved. Fuel costs have come down, but there is less discretionary income for travel and consumer purchases so tourism within the community is down. Job creation within the industrial park is only through the attraction of new industrial opportunities rather than local business expansion.

Kingman continues to attract interest from East Coast and Midwest companies looking to expand operations to keep up with growth in the Southwest, however the number of inquiries is less than half of those experienced last year. Kingman's location makes the community suited logistically for a manufacturer to service California, Arizona, Nevada, Utah and New Mexico overnight. Proceeds from land sales within the industrial park as a result of growth will be utilized to construct basic infrastructure and capital improvements projects for the airfield and industrial park.

Lease revenues and user fees will continue to fund the Authority's operations. Lease opportunities are being pursued and encouraged along with promoting land sales. New leases include an annual automatic adjustment of 3% of the base rate effective July 1, of each year and as older leases expire, they will be replaced with language incorporating automatic adjustments as well.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Kingman Airport Authority, Inc.'s finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Kingman Airport Authority, Inc.
Accounting Department
7000 Flightline Drive
Kingman, AZ 86401
928-757-2134

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities - Enterprise Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 2,378,503
Receivables, Net	
Accounts Receivable	96,274
Intergovernmental Receivable	48,012
Total Current Assets	<u>2,522,789</u>
Noncurrent Assets	
Capital Assets	
Non-Depreciable	434,201
Depreciable (Net)	16,843,387
Total Noncurrent Assets	<u>17,277,588</u>
Total Assets	<u><u>\$ 19,800,377</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 49,534
Accrued Wages and Benefits	13,813
Compensated Absences Payable	17,243
Current Maturities of Notes Payable	66,425
Total Current Liabilities	<u>147,015</u>
Noncurrent Liabilities	
Notes Payable, Net of Current Maturities	<u>389,202</u>
Total Liabilities	536,217
Net Assets	
Invested in Capital Assets, Net of Related Debt	16,821,961
Unrestricted	2,442,199
Total Net Assets	<u>19,264,160</u>
Total Liabilities and Net Assets	<u><u>\$ 19,800,377</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type Activities - <u>Enterprise Fund</u>
Operating Revenues	
Leases	\$ 446,802
Intergovernmental	16,459
Airport Usage Fees	125,792
Total Operating Revenues	<u>589,053</u>
Operating Expenses	
Personnel	504,300
Payroll Taxes and Benefits	137,249
Office Expense	22,565
Professional Services	189,844
Maintenance and Repairs	57,372
Motor Pool	29,076
Operational Expense	376,838
Depreciation	1,126,250
Total Operating Expenses	<u>2,443,494</u>
Operating Loss	(1,854,441)
Nonoperating Revenues (Expenses)	
Contributions and Donations	10,484
Interest Revenue	82,906
Application Fees	7,200
Miscellaneous Revenues	13,945
Interest Expense	(23,409)
Land Sales	143,680
Total Nonoperating Revenues (Expenses)	<u>234,806</u>
Income (Loss) Before Capital Contributions and Transfers	(1,619,635)
Capital Contributions	<u>110,889</u>
Change in Net Assets	(1,508,746)
Total Net Assets, Beginning of Year	20,772,906
Total Net Assets, End of Year	<u><u>\$ 19,264,160</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

Business-Type
Activities -
Enterprise Fund

Cash Flows from Operating Activities:

Receipts from Customers	\$ 594,843
Payments to Suppliers	(782,931)
Payments to Employees	(476,575)
Customer Deposits Received	1,618
Net Cash Flows Used for Operating Activities	<u>(663,045)</u>

Cash Flows from Capital and Financing Activities:

Contributions and Donations	10,484
Application Fees	7,200
Miscellaneous Revenues	13,945
Capital Grants and Contributions	395,508
Purchases of Capital Assets	(820,609)
Principal Paid on Notes Payable	(65,464)
Interest Paid on Notes Payable	(23,409)
Proceeds from Sale of Land	143,680

Net Cash Flows Used for Capital and Related Financing Activities

(338,665)

Cash Flows from Investing Activities:

Interest	82,906
Net Cash Flows from Investing Activities	<u>82,906</u>

Net Change in Cash and Cash Equivalents

(918,804)

Cash and Cash Equivalents, Beginning of Year

3,297,307

Cash and Cash Equivalents, End of Year

\$ 2,378,503

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES

Operating Income (Loss)	\$ (1,854,441)
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Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:

Depreciation	1,126,250
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Change in Assets/Liabilities:

Accounts Receivable	5,790
Customer Deposits	1,618
Accounts Payable	30,013
Accrued Wages and Benefits	10,482
Compensated Absences Payable	17,243

Net Cash Used for Operating Activities

\$ (663,045)

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Kingman Airport Authority, Inc. (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Authority's more significant accounting policies follows.

A. Reporting Entity

The Kingman Airport Authority, Inc. (Authority) was incorporated in the State of Arizona in July 1992, as a nonprofit corporation. The Authority operates, maintains, and manages the Kingman Airfield and Industrial Park, collectively known as the Airport for the City of Kingman, Arizona. The Authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airfield and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property at no cost from the City of Kingman, Arizona under a long term lease. Primary sources of funding for the Authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include management, maintenance, and development of the Kingman Airfield and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman, Arizona with the responsibility of carrying out the function of airport management.

In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth by accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government.

In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements are not presented, as the Authority only engages in business-type activities. The Authority only has one fund, an enterprise fund. Accordingly, the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows report information for that single enterprise fund only.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net assets and statement of revenues, expenses and changes in fund net assets are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

The Authority reports the following proprietary fund:

The *Enterprise Fund* is used to account for operations (a) that are financed and operated in manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, authorities or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

2. Receivables

All trade receivables are shown net of an allowance for uncollectible receivables. The Authority annually reviews the balance in the reserve account during the budget process to determine if, based on past history, the account is adequate to cover current trade receivables. If judged to be inadequate, an additional amount is budgeted and recorded over the course of the year. Receivables from governments are assumed to be entirely collectible and are not included in this analysis.

3. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Land Improvements	10-30 years
Building and Improvements	7-30 years
Furniture, Machinery and Equipment	3-8 years

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See Note 4.C. for reconciliation).

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2009 consist of the following:

Deposits	
Cash in Bank	\$ 241,201
Certificates of Deposit	2,052,510
Investments	
Money Market Mutual Fund	84,792
Total Deposits and Investments	<u>\$ 2,378,503</u>

Deposits - The Authority's deposits at June 30, 2009, were entirely covered by federal depository insurance.

Investments - The Money Market Mutual Fund is not subject to custodial credit risk.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

2. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 265,753	\$ 676,879	\$ (508,431)	\$ 434,201
Capital Assets, Being Depreciated:				
Land Improvements:				
Airfield	10,827,725	139,040	-	10,966,765
Industrial Park	8,619,537	372,367	-	8,991,904
Buildings and Improvements:				
Airfield	4,197,500	134,875	-	4,332,375
Industrial Park	2,060	-	-	2,060
Furniture, Machinery, and Equipment	836,549	5,879	-	842,428
Total Capital Assets, Being Depreciated	24,483,371	652,161	-	25,135,532
Accumulated Depreciation for:				
Land improvements:				
Airfield	(3,905,038)	(504,203)	-	(4,409,241)
Industrial Park	(2,418,139)	(393,986)	-	(2,812,125)
Buildings and Improvements:				
Airfield	(567,067)	(164,515)	-	(731,582)
Industrial Park	(481)	(68)	-	(549)
Furniture, Machinery, and Equipment	(275,170)	(63,478)	-	(338,648)
Total Accumulated Depreciation	(7,165,895)	(1,126,250)	-	(8,292,145)
Total Capital Assets, Being Depreciated, Net	17,317,476	(474,089)	-	16,843,387
Business-type Activities Capital Assets, Net	<u>\$17,583,229</u>	<u>\$ 202,790</u>	<u>\$ (508,431)</u>	<u>\$17,277,588</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:	
Airfield	\$ 732,196
Industrial Park	394,054
Total Depreciation Expense	<u>\$ 1,126,250</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Construction Commitments

The Authority has several active construction projects at June 30, 2009. The projects involve infrastructure, ramp reconstruction and other miscellaneous projects. At fiscal year end the Authority's commitments with contractors were as follows:

Business-type		
Project	Spent-to-date	Remaining Commitment
North/South Ramp Reconstruction	\$ 76,760	\$ 310,925
Apron Ramp	71,740	-
Flightline Drive	126,648	-
Part 139 Signage	59,325	16,605
EA For 80 Acres	28,148	21,640
Terminal Design	71,580	127,330
	<u>\$ 434,201</u>	<u>\$ 476,500</u>

B. Line of Credit Payable

The Authority has a line of credit with a local financial institution to provide short-term cash flow up to \$150,000. There was no balance outstanding at June 30, 2009.

C. Long-Term Obligations

Notes payable at June 30, 2009, consisted of the following.

Description	Interest Rates (%)	Maturity	Original Issue Amount	Outstanding Principal June 30, 2009
Mohave State Bank Loan	4.90%	06/15/15	\$ 277,726	\$ 200,843
Mission Bank Loan	4.34	07/01/11	278,340	254,784
			<u>\$ 556,066</u>	<u>\$ 455,627</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Business-Type Activities					
Notes Payable	<u>\$ 521,091</u>	<u>\$ -</u>	<u>\$ (65,464)</u>	<u>\$ 455,627</u>	<u>\$ 66,425</u>

The Mission Bank Loan was refinanced at July 1, 2008.

Debt service requirements on long-term debt at June 30, 2009 are as follows:

	<u>Business-Type Activities</u>	
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 66,425	\$ 18,790
2011	69,415	16,534
2012	250,849	5,328
2013	48,381	2,271
2014	20,557	224
	<u>\$ 455,627</u>	<u>\$ 43,147</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The Kingman Airport Authority, Inc., is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no significant reductions in coverage from the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In addition, the Authority is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents.

B. Lease Revenues

The Authority subleases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-five years. Most leases extending over a one-year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Lease Revenues (Continued)

Minimum future rentals to be received on non-cancelable leases as of June 30, 2009, for each of the next five years and in the aggregate are:

<u>Year Ending June 30,</u>	
2010	\$ 20,100
2011	19,600
2012	19,600
2013	19,600
2014	4,683
Total minimum future rentals	<u>\$ 83,583</u>

C. Budgetary Basis of Accounting

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

	<u>Enterprise Fund</u>	
	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>
Statement of Revenues		
Expenditures and Changes in		
Fund Net Assets	\$ 589,053	\$ 2,443,494
Nonoperating Revenues and Expenses	258,215	23,409
Adjustments to Present Data on the		
Budgetary Basis:		
Additions	110,889	886,073
Subtractions	<u>-</u>	<u>(1,126,250)</u>
Statement of Revenues,		
and Expenses - Budget and Actual		
(Budgetary Basis)	<u>\$ 958,157</u>	<u>\$ 2,226,726</u>

D. Related Party Transactions

Two of the Authority's board members are employees of the banking institutions in which the Authority transacts business. At June 30, 2009, the deposits in Mohave State Bank totaled \$103,363 and the outstanding note payable was \$200,843. At June 30, 2009, the deposits in Mission Bank totaled \$2,275,140 and the outstanding note payable was \$254,784.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans

Defined Contribution Pension Plan

The Authority's 401(a) Retirement Plan is a defined contribution pension plan established by the Authority and administered by Nationwide Life Insurance to provide benefits at retirement to all full-time employees of the Authority. At June 30, 2009, there were six plan members. Plan members are required to contribute 6% of covered salary. The Authority is also required to contribute 6% of covered salary. Plan provisions and contribution requirements are established and may be amended by the Authority's governing board. Covered payroll for the year totaled \$431,100. Employee contributions totaled \$25,866 and employer contributions totaled \$25,866 for the year.

F. FAA Commitment for Future Improvements

The Authority is obligated by the Federal Aviation Administration (FAA) to invest an amount equal to the net proceeds of land sales at the Kingman Airport Industrial Park in improvements to and operations of the Kingman Airfield within five years from the date of the sale. The amount obligated to be spent for airfield improvements and operations at June 30, 2009, is \$1,822,933. The Authority complied with all regulations regarding its sale of land at the Kingman Airfield and Industrial Park during the 2008-09 fiscal year.

Changes in the commitment for future improvements during the year ended June 30, 2009, were as follows:

Balance, Beginning of Year	\$ 3,837,304
Add: Land Sales During Year	143,680
Deduct: Prior Year Expenses at Kingman Airfield Applied	(1,434,742)
Deduct: Expenses at Kingman Airfield	(723,309)
Balance, End of Year	<u>\$ 1,822,933</u>

SUPPLEMENTARY INFORMATION

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL – BUDGETARY BASIS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Leases	\$ 402,451	\$ 446,802	\$ 44,351
Intergovernmental Revenue	74,520	16,459	(58,061)
Contributions and Donations	-	10,484	10,484
Interest Revenue	45,000	82,906	37,906
Application Fees	9,000	7,200	(1,800)
Land Sales	929,134	143,680	(785,454)
Capital Contributions	-	110,889	110,889
Miscellaneous Revenues	5,926	13,945	8,019
Airport Usage Fees	115,102	125,792	10,690
Total Operating Revenues	<u>1,581,133</u>	<u>958,157</u>	<u>(622,976)</u>
Operating Expenses			
Personnel	535,035	504,300	30,735
Payroll Taxes and Benefits	123,674	137,249	(13,575)
Office Expenses	27,500	22,565	4,935
Professional Services	226,200	189,844	36,356
Maintenance and Repairs	69,500	57,372	12,128
Motor Pool	45,010	29,076	15,934
Operational Expense	382,050	376,838	5,212
Debt Service	-	88,873	(88,873)
Capital Outlay	-	820,609	(820,609)
Total Operating Expenses	<u>1,408,969</u>	<u>2,226,726</u>	<u>(817,757)</u>
Excess (Deficiency) of Revenue Over Expenses	<u>\$ 172,164</u>	<u>\$ (1,268,569)</u>	<u>\$ (1,440,733)</u>